

### Remarks

Applicant requests reconsideration of the present application in view of the foregoing amendments and following remarks.

In the Office Action dated February 14, 2005, Examiner rejected claims 1-62 under 35 U.S.C. § 112 “as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.” Applicant amends independent claims 1 and 32.

Examiner noted that:

With regard to claim 32 in lines 9-12 the phrase; “receive a commitment to buy undiscounted value amount within the specified category of items at a minimum discount rate”. This language is unclear because how is it possible for something to be both undiscounted (e.g. not have a discount) and have a discount at the same time these term [sic] seem to contradict each other in the context of claim. Office Action, February 14, 2005, pp. 2-3.

The specification provides:

An auction is started and 164 buyers join in, all with the same desire, to buy a new XYZ model automobile. Each buyer commits an amount of money they are interested in spending. In this case, let's assume 164 varied, individual amounts from \$36,000 to \$45,000. [e.g., “receive a commitment to buy undiscounted value amount within the specified category of items”]. Also, each buyer declares a minimum desired discount rate, e.g., varied values between 5% and 17%. [e.g., at a minimum discount rate]. See Application, p. 29.

Claim 32 is clear. Claims 1-62 are in compliance with 35 U.S.C. § 112.

In the Office Action dated February 14, 2005, the Examiner rejected claims 1-62 under 35 U.S.C. § 103(a) “as being unpatentable over Shkedy (US 6,260,024) in view of

Applicant's admitted prior art in specification (SEE page 1, line 12 to page 2, line 17)."  
Applicant traverses this rejection.

Shkedy does not disclose every element of Applicant's invention. *See Ex parte Gabriel N. Issa*, Appeal No. 2004-1283, p. 5 ("[W]e find no disclosure in Shkedy which deals with sellers competing by offering the best 'discount rate,' as claimed.") Furthermore, the majority of arguments in support of Examiner's § 103(a) rejection are inappropriately based on Shkedy and what Examiner believes would have been obvious. *See Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1556 (Fed. Cir. 1996) ("To draw on hindsight knowledge of the patented invention, when the prior art does not contain or suggest that knowledge, is to use the invention as a template for its own reconstruction—an illogical and inappropriate process by which to determine patentability.") Bidding on discount rates, as claimed in Applicant's invention, offers sellers an advantage over the prior art. Sellers often set their price for a category of items by increasing the price they paid to buy the items by a percentage amount. For example, a seller could set his sale price by increasing the price he paid to buy the item by 10%. Bidding in terms of percentages allows sellers to easily quantify their profitability relative to the price they paid to buy the item. The advantage of bidding a discount rate combined with its lack of disclosure in the prior art provides further evidence Examiner inappropriately relied on hindsight.

Amended claim 1 provides:

A method for conducting an online auction of a monetary amount for a specified category of items, the method comprising:

receiving at a computer site at least one bid having a discount rate for the specified category of items being auctioned from a plurality of sellers registered to participate in the auction;

receiving at the computer site a commitment to buy an undiscounted monetary amount of the item or within the specified category of items at a minimum discount rate from at least one buyer registered to participate in the auction; and

declaring at least one successful seller of the monetary amount for the specified category of items based on the bid from

the successful seller or sellers having the greatest discount rate greater than or equal to the minimum discount rate and best meeting the buyer's individual conditions.

With regard to claim 1, Examiner contends that “it is obvious to one of ordinary skill that this language, [*i.e.*, ‘buyers could indicate a minimum discount off the maximum offer price provided by the central controller 200 that a buyer would be willing to accept,’ (Shkedy, col. 7, ll. 21-24) (emphasis added)], is suggestive of a seller needing to be able to figure out at what his the [sic] BID price needs to be in order to meet the ‘minimum discount off’ as suggested by Shkedy in order to have a successful bid and sellers are motivated to do what ever it takes to make a sale as long as they can make some profit of [sic] the volume of sales.” Office Action, February 14, 2005, p. 5. Examiner’s assertion does not suggest “receiving at a computer site at least one bid having a discount rate . . . .” In Shkedy, the seller must bid a price, Shkedy, col. 7, ll. 24-25 (“The seller would then be notified of a maximum price he had to beat in order to bid.”), not a discount rate as claimed. Shkedy teaches away from Applicant’s invention because sellers in Shkedy’s method have no need for or access to buyer discount rates. *See In re Gordon*, 733 F.2d 900 (Fed. Cir. 1984) (The fact that a prior art device could be modified so as to produce the claimed device is not a basis for an obviousness rejection unless the prior art suggested the desirability of such a modification.) Claim 1 is patentable over Shkedy (US 6,260,024).

With regard to claim 1, Examiner contends that “[i]t is inherent that the seller with the ‘lowest price’ would effectively also have the ‘greatest discount rate’ in the Shkedy method and [sic] would have been a simple matter of math to figure out what the actual discount is based on what the lowest bid price was and a seller using the Shkedy method would have been motivated to in addition to telling the buyer what the lowest price bid was [sic] tell the buyer what discount that price inherently represents . . . .” Office Action, February 14, 2005, p. 5 *citing* Shkedy c. 3, ll 54-57 (“A seller will be selected whose bid is the best, e.g. lowest price.”) The mathematical complexity of obtaining an effective discount rate for the selected seller in Shkedy’s method does not bear on the issue of obviousness. *See Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473 (Fed. Cir. 1998) (“[S]implicity alone is not

determinative of obviousness.”) Further, Examiner’s assertion that a seller would be motivated to “tell the buyer what discount that price inherently represents,” Office Action, February 14, 2005, p. 5, likewise does not bear on the issue of obviousness. The Shkedy method teaches away from Applicant’s invention because a seller in Shkedy’s method has no use for discount data. Sellers in the Shkedy method compete on price, *see* Shkedy, col. 7, ll. 24-25 (“The seller would then be notified of a maximum price he had to beat in order to bid.”), not discount rate. Claim 1 is patentable over Shkedy (US 6,260,024).

With regard to claim 1, Examiner contends that “it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the Shkedy title of his method ‘A GLOBAL BILATERAL BUYER-DRIVEN SYSTEM’ and simply just call it a ‘REVERSE AUCTION’ as suggested by applicant’s admitted prior art because one would have been motivated to call it ‘a reverse type auction’ when advertising the auction because that was the standard phrase used for this type of auction and therefore the buying public would then be more likely to participate in the auction they clearly understand.” However, the title of a reference does not form the basis of an obviousness rejection. *See* 35 U.S.C. § 103. Claim 1 is patentable “over Shkedy (US 6,260,024) in view of Applicant’s admitted prior art in specification (SEE page 1, line 12 to page 2, line 17).”

Claims 2-31 depend directly or indirectly from claim 1. For at least each of the reasons claim 1 is patentable, claims 2-31 are patentable. Claims 2-31 have additional limitations over claim 1 providing further reason claims 2-31 are patentable.

Amended claim 32 provides:

A computer site for conducting an online auction of a monetary amount for a specified category of items, the computer site comprising:  
a set of related documents and associated files; and  
a server for serving up the set of related documents and associated files to a plurality of I/O devices to provide buyers

and sellers with capability to participate in the auction, the server being programmed with application software to:

receive at least one bid having a discount rate for the specified category of items being auctioned from a plurality of sellers registered to participate in the auction;

receive a commitment to buy undiscounted monetary amount within the specified category of items at a minimum discount rate from at least one buyer registered to participate in the auction; and

declare a successful seller of the monetary amount for the specified category of items based on a bid from the successful seller or sellers having the greatest discount rate greater than or equal to the minimum discount rate and best meeting the buyer's individual conditions.

With regard to claim 32, Applicant disagrees with Examiner's contention that "the combination of Shkedy and Applicants [sic] admitted prior art was found already above in method claim 1 to read on most of the limitation of apparatus claim 32 . . . ." Office Action, February 14, 2005, p. 12. Claims 1 and 32 do not stand or fall together. *See* Applicant's Appeal Brief, August 12, 1999 ("Applicant contends the claims may be grouped as follows: 1. Claim 1-31(Group 1) stand or fall together. 2. Claims 32-62 (Group 2) stand or fall together. 3. Claim 63 (Group 3) stands alone.") Further, Examiner has not met his burden of establishing a *prima facie* case of obviousness. Examiner merely argues that various references disclose elements of claim 32—a point which Applicant does not agree with—but Examiner presents no arguments or facts of a motivation or suggestion to combine the cited references. *See* MPEP 2142 "Establishing A *Prima Facie* Case Of Obviousness" ("To establish a *prima facie* case of obviousness . . . there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings . . . ." Moreover, the arguments supporting claim 1's patentability apply to claim 32. Claim 32 is patentable.

Claims 33-62 depend directly or indirectly from claim 32. For at least each of the reasons claim 32 is patentable, claims 33-62 are patentable. Claims 33-62 have additional limitations over claim 32 providing further reason claims 33-62 are patentable.

In the Office Action dated February 14, 2005, the Examiner rejected claim 63 under 35 U.S.C. § 103(a) “as being unpatentable over Shkedy in view of Applicant’s admitted prior art and ‘ECOMMERCE/BUYING SERVICE COUNTS ON STRENGTH IN NUMBERS’ THE WASHINGTON POST. Newsday (combined editions).” Applicant traverses this rejection.

Claim 63 provides:

A computer-implemented auction system for negotiating discount credits between sellers offering at least one pre-defined category of goods or service items and buyers wishing to purchase goods or service items selected from said category, comprising:

- an auction system having an auction engine that presents a first interface for access by buyers in communicating willingness to purchase items selected from a pre-defined category at a negotiated category discount and a second interface for access by sellers in communicating willingness to offer items selected from the pre-defined category;

- the first interface including a commitment amount field through which each buyer communicates the amount that buyer will commit to spend and a requested discount field through which each buyer communicates the smallest discount that buyer will accept;

- a data storage associated with the auction engine for storing the identity of buyers who have communicated willingness to purchase items from the pre-defined category, and for storing bid data indicative of the commitment amount and requested discount communicated by each buyer;

- the auction system further having a compilation system that analyzes the bid data to present information to sellers through the second interface indicative of the aggregate commitment amounts associated with different requested discounts;

- the second interface having a discount offer field through which each seller communicates the discount that seller is willing to offer;

- a commitment system having a mechanism for terminating negotiation in response to a pre-defined criterion and for identifying a selected seller that has offered the greatest discount during the negotiation;

the commitment system communicating with the auction system to generate a discount record for at least a portion of the buyers identified in the data storage, each discount record including the identity of the buyer and seller, the pre-defined category on which the buyer negotiated and data indicative of the commitment amount and the discount offered by the selected seller.

With regard to claim 63, Examiner suggests that The Washington Post reference discloses the claimed element “the auction system further having a compilation system that analyzes the bid data to present information to sellers through the second interface indicative of the aggregate commitment amounts associated with different requested discounts.” Office Action, February 14, 2005, p. 20 (“[S]ee THE WASHINGTON POST ‘That’s what Accompany calls the period of time an item is offered, and it’s illustrated with a graphic showing the current number of committed buyers, the SCHEDULE OF DISCOUNTS that will kick in as more people join the group and the time remaining.’”) However, the claimed element “analyzes the bid data to present information to sellers,” whereas the cited reference presents the “schedule of discounts” to buyers, see E-COMMERCE/Buying Service Counts On Strength in Numbers, The Washington Post, Newsday (combined editions) (“Say you want a Palm Pilot. You go to [www.accompany.com](http://www.accompany.com) and find a ‘buy cycle’ for a particular model, That’s what Accompany calls the period time an item is offered, and it’s illustrated with a graphic showing the current number of committed buyers, . . .”) (emphasis added). The cited reference does not disclose the claimed element.

With regard to claim 63, Examiner contends that “it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the combination of Shkedy and Applicants [sic] admitted prior art to pre-negotiate with multiple sellers as suggested by the THE WASHINGTON POST because to do so will increase the chances of getting the best discount.” Office Action, February 14, 2005, p. 20. The Washington Post reference does not teach or suggest pre-negotiating “with multiple sellers” but rather suggests a method for buyers to cooperate by “negotiating volume discounts,” E-COMMERCE/Buying Service Counts On Strength in Numbers, The Washington Post, Newsday (combined

editions). The Washington Post reference teaches away from pre-negotiating “with multiple sellers” because the “schedule of discounts that will kick in as more people join the group” are from a single seller. *See id.* (“Accompany allows them to cooperate by negotiating volume discounts on their behalf.”) Examiner presents no other arguments on the motivation or suggestion to combine the cited references. Claim 63 is patentable “over Shkedy in view of Applicant’s admitted prior art and ‘ECOMMERCE/BUYING SERVICE COUNTS ON STRENGTH IN NUMBERS’ THE WASHINGTON POST. Newsday (combined editions).” The hindsight arguments applicable to claims 1-62 also apply to claim 63 providing additional reason claim 63 is patentable.

The claims are in a condition for allowance. Applicant requests a notice to that effect. Applicant also invites a telephone conference if the Examiner believes that it will advance the prosecution of this application.



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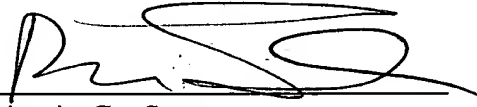
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Respectfully submitted,

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